

BUSINESS AND ECONOMIC DIGEST

Business-Industrial Resume.

THE past week has witnessed several important developments which affect industry and business. The convening of Congress and the message of the President have long been looked forward to. Reports so far received indicate that business men are well satisfied with the President's first message. Contrary to the President's intention, his remarks concerning our foreign policy have received the most attention in the comments which have appeared. This shows clearly that the country as a whole regards the settlement of our foreign affairs as a most important problem. The country appears to be particularly well satisfied with the announcement that the administration will attempt to ratify the Versailles treaty and will not consider the negotiation of a separate peace with Germany. No results of importance are expected to follow the proposed adoption of the Knox resolution, declaring a state of peace to exist. It seems clear that a definite treaty must be signed which will fix our rights and future activities with regard to enemy countries.

Tax and Tariff Clauses.

The two most important comments in the message concerning domestic issues are those which deal with taxation and the tariff. On these points the President's views were pretty well underlined beforehand and the message contains little that is new. The urgent request for early revision of our tax laws has been well received. Business men in general are not so certain about the advisability of the emergency tariff act, which the President strongly recommended. Many persons believe that the emergency for which this is designed has passed and that the increased tariffs will only result in a higher cost of living with the profits going chiefly to speculators and manufacturers.

Steel Prices Reduced.

Aside from the President's message, the most important development of the week was the announcement of a reduction in prices by the United States Steel Corporation. The steel corporation has consistently adhered to the prices fixed by the Industrial Board, as announced in March, 1919. During the early part of 1920 the independent steel mills were quoting prices very much above this level. Since the period of depression began independents have cut their prices far below the steel corporation level. The new prices of the corporation show an average reduction of about \$7.00 per ton, which brings them to about a level near that quoted by independent concerns.

It is believed that this price reduction will have a very desirable effect upon the building industry. Judging by past experience no further reductions are to be expected from the corporation for some months. Consequently, steel consumers can go ahead with their plans on this basis.

So far nothing has been said about reduction in wages by the steel corporation, but it is believed that eventually some announcement will be made on this subject also. The fact that a week ago the Midvale Steel and Ordnance Company passed their regular quarterly dividend, and the further announcement this week that the net earnings of the Lackawanna Steel Company for the last quarter amounted to only 2 cents a share, indicate that steel companies are not prospering under present conditions.

Drop in Steel Production.

The American Iron and Steel Institute has announced that the total production of steel for the thirty companies reporting to them amounted to 1,579,978 tons in March, 1921, compared to 3,299,049 tons in March a year ago. The ingot production in the last month showed a drop of 178,499 tons compared with February or a decrease of a little over 10 per cent. The steel corporation has also announced that its unfilled orders at the end of March amounted to only 6,238,765 tons, or a drop of 649,102 tons compared with the end of February. In March, 1920, the unfilled orders of the corporation amounted to 9,892,075 tons.

British Labor Troubles.

No settlement has so far been reached regarding the strike of the British coal miners. As a matter of fact, the situation has become much more serious towards the end of the week, although every effort is being made to bring about some kind of an agreement. Much confidence is being expressed in the ability of Lloyd George to handle the situation successfully. His offer to take the whole question of nationalization of industries before the country in a national election is regarded as a distinct gain for the government. It is reported that more than 5,000,000 men are prepared to join the strike movement unless some settlement is reached.

Foreign Situation Unimproved.

The monthly cables to the Department of Commerce, summarizing financial and economic conditions abroad during March, report little that is encouraging. Business depression has increased in Great Britain, owing to the prospective failure of the early settlement with Germany and, of course, the present labor difficulties have rendered the situation there very much more serious. Throughout Europe tight money, un-

PACKARD MOTOR CAR BOND ISSUE.

The Packard Motor Car Company has sold to bankers a \$10,000,000 issue of 10-year 8 per cent bonds, which have been offered at par.

The banking syndicate which will offer the bonds is composed of the Guaranty Company, the National City Company and Montgomery and Company.

It is stated that the net earnings after depreciation for the past five years have averaged more than 11½ times the \$800,000 interest requirements on these bonds which are the company's only funded debt.

Although the conditions which affected all industries during recent months caused curtailment of the company's operations, sales are now reported to be showing a decided improvement.

CUBAN SUGAR FINANCING.

A banking syndicate headed by the Guaranty Trust Company of New York, the National City Bank and the Royal Bank of Canada has underwritten an acceptance credit to be granted to the Sugar Financing and Export Company, a Cuban company formed by leading sugar and financial interests to assist Cuban growers and manufacturers of sugar.

The Sugar Financing and Export Company is to have a paid-in capital of \$2,000,000, all of which has been subscribed by the Cuban Sugar Corporation and the Cuban American Sugar Company and their associated and subsidiary companies.

employment and unsatisfactory industrial and shipping conditions were in evidence during March. Some declines in prices and a slight revival of building activities were noted in some countries.

The situation in the East is described as somewhat more favorable. Foreign capital directed largely to railroad improvement is coming into China. In Japan the money situation is described as easier and some progress is being made towards deflation. Reports from South America show conditions there practically unchanged from the previous month. Unfavorable business conditions continue to rule throughout this territory.

Railroad Situation.

Negotiations are still being conducted looking towards an adjustment of the railroad rate and wage question. An announcement by the Railroad Labor Board ending the national agreements on working conditions and upholding the open shop came unexpectedly at the end of the week. It is hoped that this, together with the sixteen principles laid down to guide the settlement of differences, may open the way to a speedy conclusion of the whole controversy.

Government officials are earnestly working on the wage and rate problem, but so far no solution has been proposed. In the meantime the situation of the carriers is becoming more serious. The Interstate Commerce Commission reports that during January the railroads operated at a net loss of \$958,000. Preliminary reports for February show that 106 railroads failed to earn expenses. In February operating revenue fell of 4½ per cent and it is estimated that the deficit will amount to over \$7,000,000. The number of idle freight cars at the end of March was 495,904, which is the largest surplus ever recorded in the history of railroading.

Coal Output Still Declining.

The report of the Geological Survey for the week ending April 2, shows a total production of 5,797,000 tons, or a decrease of 670,000 tons from the preceding week. Production is now less than 50 per cent of the output at the end of 1920. Lack of market still continues to be the sole cause of this abnormally low output.

Fire Losses Heavy.

Figures compiled by the New York Journal of Commerce show that the total fire losses in the month of March amounted to \$28,581,000, which is \$1,000,000 greater than in March last year and nearly \$3,000,000 greater than in the preceding month. The entire fire waste of the country continues unusually heavy, indicating that carelessness and what is known as "moral hazard" are still important factors. The largest single loss for the month was the destruction of the Northwestern Elevator at Chicago, due to an explosion of dust. The amount involved was approximately \$2,500,000.

Business Conditions Conflicting.

Reports on the general business situation continue to show sharp contrasts. Gains reported last week in the automobile industry appear to be continuing. The further reduction in the price of steel will no doubt assist this industry. The International Harvester Company has reported a price reduction of about 10 per cent on its steel machinery, which also reflects the drop in crude steel prices. The textile industries show no decided change. The wool industry in particular is marking time until the tariff question is definitely settled. Cotton goods have shown some rallies through the week, but they have been offset by reductions in other directions. It is clear that the basic conditions necessary for the re-establishment of confidence and the complete revival of industry have not yet been fulfilled.

Inventories Increase in 1920.

A tabulation from the reports of 140 large companies so far available shows, according to Dow-Jones and Company, that inventories increased nearly \$400,000,000 during 1920. During the early part of the year the belief was general that the period of prosperity would continue through the year. Buying of raw material was on an extravagant scale and many contracts for future delivery were signed.

These heavy purchases at unheard-of price levels exhausted cash reserves and the banks were called upon to supply the deficiency. The collapse came when the banks could no longer meet the demands. Prices fell and hundreds of millions of dollars of paper profits were wiped out by the shrinking inventory values.

The last six months have been a period of economy. Industry has been trying to use up and work off its heavy stock of materials purchased at high prices. With falling prices consumers and middlemen have purchased only bare necessities. That the manufacturers and large corporations were unable to work off all of their surplus before the end of 1920 is shown by the following tabulation which summarizes the detailed Dow-Jones report.

Character	Number of Companies	Inventories Dec. 31, 1919	Inventories Dec. 31, 1920	1920 Increase Or decrease
Business stores.....	5	\$24,890,730	\$36,908,400	+ \$12,017,670
Chemical companies.....	2	22,252,908	29,641,835	+ 7,388,927
Equipment companies.....	10	66,429,771	114,184,365	+ 47,754,594
Leather companies.....	3	115,010,125	95,847,938	- 19,162,187
Motor companies.....	14	234,270,428	308,578,597	+ 74,308,169
Oil companies.....	14	380,865,815	410,750,823	+ 29,885,008
Packing companies.....	5	482,965,054	370,537,567	- 112,427,487
Rubber companies.....	6	176,476,297	237,009,812	+ 60,533,515
Steel companies.....	13	404,971,987	440,388,772	+ 35,416,785
Sugar companies.....	7	52,370,773	80,758,918	+ 28,388,145
Tobacco companies.....	13	290,485,582	286,567,920	- 3,917,662
Misc. companies.....	46	579,200,901	729,028,296	+ 150,717,395
Grand total.....	140	\$2,741,349,350	\$3,138,790,683	+ \$397,441,333

The total inventory value of these 140 companies on December 31, 1919, was \$2,741,349,350, and a year later it was \$3,138,790,683, an increase for the year of \$397,441,333, or 14.5 per cent. The groups of chemicals, leather and packing companies, showed a decrease compared with a year ago. All other groups increased.

Better Conditions in Italy

The feature of the week in the foreign exchange market was the rise in Italian lire, which reached a high point of \$0.0492 per lire compared to \$0.0440 last week. Bankers say this is the continuation of the movement which set in some two weeks ago.

There is no doubt that there is less uncertainty manifested in the exchange market regarding Italy's outlook. Labor troubles have virtually ceased and her finances have shown marked improvement.

On February 26, last, Premier Giolitti stated in the Italian senate that the government's deficit had been reduced from 14,000,000,000 lire to 4,000,000,000. The deficit still existing, if present plans can be worked out successfully, will be taken care of under the provisions of the new law authorizing the government to increase the price of wheat. It must be remembered that one of the heaviest burdens in Italy's budget has been the control and sale of grain.

Italian industry is rapidly recuperating from the effects of the war. Like most countries, Italy's industry was hard pressed by war orders. Since the armistice, and more particularly during the most recent months, money has entered into the channels of industrial investments in a constantly increasing measure. Investments in her industries at present are estimated at nearly 140 per cent over prewar period.

It is also evident that Italian commerce has improved since the war. In 1914 exports equalled 75 per cent of imports, while in 1918 that percentage was reduced to 20 per cent. In 1919 the percentage increased to 32 and for the first five months of 1920 it had grown to 49 per cent.

Italy's finances also show good improvement. Notwithstanding the absorption of currency in circulation through national loans, and the large increase of capital in industrial enterprises, savings have increased more than 200 per cent since the beginning of the war.

S. H. KRESS SALES.

Sales of S. H. Kress & Co. for March totalled \$2,474,834 compared with \$1,850,398 the previous year, an increase of \$624,436. Total sales for first quarter of 1921 were \$6,089,039 against \$5,740,469 a year ago, showing an increase of \$357,570.

FOREIGN EXCHANGE FOR THE WEEK.

Unit.	Par.	High.	Low.	High.	Low.
England, pound.....	4.9665	3.9235	3.8950	3.9725	3.9225
France, franc.....	.1930	.0714	.0704	.0631	.0593
Belgium, franc.....	.1930	.0742	.0732	.0666	.0628
Italy, lire.....	.1930	.0492	.0456	.0432	.0375
Germany, mark.....	.2388	.0162	.0156	.0198	.0162
Switzerland, franc.....	.1930	.1734	.1726	.1811	.1796
Holland, guilder.....	.4090	.3479	.3458	.3725	.3706
Spain, peseta.....	.1930	.1400	.1390	.1700	.1740
Sweden, krona.....	.3490	.2385	.2359	.2314	.2180
Norway, krone.....	.3689	.1615	.1605	.2040	.1989
Denmark, krone.....	.0894	.1817	.1785	.1879	.1825
Canada, dollar.....	1.0000	.8985	.8825	.9250	.9160